

**Attention business/financial editors and reporters:**

**AEROQUEST INTERNATIONAL LIMITED (TSX:AQL)  
Announces financial results for the three months ended June 30, 2008**

- *Revenue of \$14.5 million, up 55% including acquisitions*
- *Operating cash flow of \$2.2 million in the period, or \$0.06 per share*
- *Contract backlog a healthy \$17 million*

**Mississauga, ON** – August 13, 2008 - Aeroquest International Limited today reported financial results for the three month period ended June 30, 2008.

On October 23, 2007 the Company announced its intention to change the financial year end to September 30th. As a result of this change in financial year end, comparative periods do not line up precisely. The comparative period used in this report is for the three month period ending July 31, 2007.

“The quarter was another record quarter from a revenue standpoint for Aeroquest International.” said Roy Graydon, President & CEO of Aeroquest; “However, we can do better; our helicopter operations suffered with weaker than expected productivity. Revenue growth, while strong, was below our expectations due to delays in bringing new AeroTEM systems online.”

Consolidated revenue for the three months ended June 30, 2008 was \$14.5 million, an increase of \$5.2 million or 55% over the most comparable period last year. Revenue from helicopter operations contributed \$7.2 million in the quarter, while revenue from fixed wing operations totaled \$7.0 million in the quarter. Other revenue was \$0.4 million. For the nine months ended June 30, 2008, revenue was \$39.0 million, up from \$19.4 million in the most comparable nine month period last year.

Gross profit in the period was \$5.6 million, or 39% of revenue, driven by improved margins in the fixed wing business offset by lower than expected margins in the helicopter business.

EBITDA in the quarter was \$2.7 million, or 18% of revenue, an increase of \$0.3 million or 13% over the comparable period last year although EBITDA as a percentage of revenue did decrease from historical levels. Management expects this to improve in the fourth quarter as helicopter systems productivity improve to those in prior quarters. For the nine month period, EBITDA was \$7.7 million, as compared to \$4.1 million in the most comparable period last year.

Net income in the quarter was \$0.3 million, a decrease of \$0.6 million or 68% over the comparable period last year. Earnings per share for the quarter are \$0.01 compared to \$0.04 per share for the comparable period last year.

Operating cash flow before changes in working capital was \$2.2 million, or \$0.06 per share for the period, as compared to \$1.6 million, or \$0.08 per share in the most comparable period last year, and reflects the underlying health of the Company’s operations. On a year-to-date basis, operating cash flow was \$6.5 million, or \$0.21 per share.

Capital expenditures totaled \$1.9 million for the quarter, representing 13% of revenue, which was in line with the Company’s expectations.

Contract backlog showed a modest decrease over the last quarter and sits at \$17 million at period end. Backlog is composed of \$5.1 million in helicopter backlog and \$11.9 million in fixed wing backlog. Contract backlog was affected somewhat by timing issues. For example, at June 30, 2008, the Company had been awarded several jobs that were still in the contract negotiation phase.

Many of these were signed in July and, as a result, at July 31, 2008, the Company's contract backlog stood at over \$18 million.

As indicated in its recent press release dated July 17, 2008, the Company expects fourth quarter 2008 revenue to be in the range of \$16 to \$18 million, and that gross margins will be comparable to those of previous quarters. As a result, the Company expects fiscal year 2008 revenue to be in the range of \$55 to \$57 million. The Company is continuing to add systems to its fleet and to deploy these systems at select locations around the globe. Aeroquest expects to finish the fiscal 2008 year with approximately 30 systems.

#### *Analyst Conference Call*

Aeroquest International Limited will hold a Q3 2008 conference call at 10:00 a.m. ET on Thursday, August 14, 2008. The conference call will review Aeroquest's results for the quarter ended June 30, 2008. The scheduled speakers for the Company on the conference call are: Roy Graydon, President and Chief Executive Officer, and Robert Motz, Chief Financial Officer.

Interested parties can access the conference call in North America by dialing 1-888-789-9572 and entering passcode 3267840. The international or local dial-in number is 416- 695-7806. Please dial in approximately 5-10 minutes prior to the 10:00 a.m. Eastern Standard Time.

A replay service will be available two weeks following the conference call until midnight on August 28, 2008. To access this recording, dial 1-800-408-3053 or 1-416-695-5800 and enter passcode 3267840.

#### *About Aeroquest International*

Aeroquest International is a global information and technology services company and a leader in the development and operation of innovative and proprietary geophysical surveying platforms for the mineral and petroleum exploration, and environmental services industries. Directly, and through its sister companies UTS Geophysics and Geophex, Aeroquest fields a fleet of approximately two dozen helicopter and fixed wing systems and is active around the world. More information about Aeroquest can be found at [www.aeroquest.ca](http://www.aeroquest.ca). More information on UTS Geophysics can be found at [www.uts.com.au](http://www.uts.com.au). More information on Geophex can be found at [www.geophex.com](http://www.geophex.com).

#### *For Investors*

This news release may include statements about expected future events and/or financial results that are forward-looking in nature and subject to risks and uncertainties. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond its control. Future events and results may vary substantially from what the Company currently foresees. Discussion of the various factors that may affect future results is contained in the Company's recent filings, available on SEDAR.

For further information, please contact Roy Graydon, President & Chief Executive Officer ([rgraydon@aeroquest.ca](mailto:rgraydon@aeroquest.ca)), 905-672-4010.



## **Aeroquest International Limited Unaudited Consolidated Financial Statements**

For the three and nine months ended June 30, 2008

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited financial statements for the period ended June 30, 2008.

# Aeroquest International Limited

Consolidated Balance Sheets  
Unaudited – Prepared by Management



<b>As at</b>	Jun. 30, 08	Sep. 30, 07
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 16,951,402	\$ 5,398,777
Accounts receivable	7,679,790	8,014,717
Unbilled contracts in progress	1,727,448	2,312,098
Inventory	53,037	-
Prepaid expenses and deposits	738,564	462,109
<b>Total current assets</b>	<b>27,150,241</b>	<b>16,187,701</b>
<b>Long term</b>		
Long term investments	62,001	90,001
Capital assets	11,021,411	7,618,873
Intangible assets	21,500,858	20,431,860
Goodwill	11,649,318	9,199,108
Future income taxes	152,847	143,747
<b>Total long term assets</b>	<b>44,386,435</b>	<b>37,483,589</b>
<b>Total Assets</b>	<b>\$ 71,536,676</b>	<b>\$ 53,671,290</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 5,902,249	\$ 5,325,928
Income taxes payable	679,106	2,238,543
Deferred revenue	3,168,591	3,838,463
Promissory notes	-	536,449
Capital lease obligations	309,025	292,466
<b>Total current liabilities</b>	<b>10,058,971</b>	<b>12,231,849</b>
<b>Long term</b>		
Promissory notes	-	2,597,339
Capital lease obligations	501,783	720,230
Future income taxes	6,904,137	6,566,056
<b>Total liabilities</b>	<b>17,464,891</b>	<b>22,115,474</b>
<b>Shareholders' equity</b>		
Share capital	48,310,010	27,403,594
Contributed surplus	1,952,802	1,320,461
Accumulated other comprehensive income	435,023	72,794
Retained earnings	3,373,950	2,758,967
<b>Total shareholders' equity</b>	<b>54,071,785</b>	<b>31,555,816</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 71,536,676</b>	<b>\$ 53,671,290</b>

# Aeroquest International Limited

## Consolidated Statement of Operations and Comprehensive Income Unaudited – Prepared by Management



For the period	Three months ended Jun. 30, 08	Three months ended Jul. 31, 07	Nine months ended Jun. 30, 08	Nine months ended Jul.31, 07
<b>Sales</b>	<b>\$ 14,537,044</b>	\$ 9,355,350	<b>\$ 39,027,862</b>	\$ 19,389,937
Cost of sales	8,933,278	5,496,132	23,433,834	11,314,279
<b>Gross profit</b>	<b>5,603,766</b>	3,859,218	<b>15,594,028</b>	8,075,658
Expenses and other items				
General and administrative	2,524,212	1,195,796	6,735,349	3,252,643
Development expense	117,017	172,426	326,637	388,598
Foreign exchange (gain)/loss	135,940	144,538	103,790	255,944
Stock based compensation expense	173,209	6,875	729,171	98,351
Amortization of intangible assets	1,155,666	358,088	3,226,554	358,088
Depreciation of capital assets	907,751	323,734	2,074,221	870,813
<b>Total operating expenses</b>	<b>5,013,795</b>	2,201,457	<b>13,195,722</b>	5,224,437
<b>Operating profit</b>	<b>589,971</b>	1,657,761	<b>2,398,306</b>	2,851,221
Other costs (income)	(110,945)	(38,766)	(122,471)	(258,267)
Contract cancellations costs	-	-	-	270,000
<b>Income before income taxes</b>	<b>700,916</b>	1,696,527	<b>2,520,777</b>	2,839,488
Income taxes				
Current	751,780	758,768	2,350,698	1,332,061
Future	(354,987)	217	(1,070,287)	38,650
<b>Total income tax</b>	<b>396,793</b>	758,985	<b>1,280,411</b>	1,370,711
<b>Net income for the period</b>	<b>\$ 304,123</b>	\$ 937,542	<b>\$ 1,240,366</b>	\$ 1,468,777
Revaluation of long term investments to fair market value	(3,000)	-	(28,000)	-
Unrealized gain (loss) on translation of self-sustaining foreign operations	199,530	1,803	390,229	1,803
<b>Total comprehensive income, for the period</b>	<b>\$ 500,653</b>	\$ 939,345	<b>\$ 1,602,595</b>	\$ 1,470,580

# Aeroquest International Limited

## Consolidated Statements of Retained Earnings Unaudited – Prepared by Management



For the period	Three months ended Jun. 30, 08	Three months ended Jul. 31, 07	Nine months ended Jun. 30, 08	Nine months ended Jul. 31, 07
Retained earnings, beginning of period, as previously reported	\$ 3,280,994	\$ 530,561	\$ 2,758,967	\$ 260,054
Cumulative effect of change in accounting policy	-	245,029	-	209,967
Retained earnings, beginning of period, as restated	\$ 3,280,994	\$ 775,590	\$ 2,758,967	\$ 470,021
Excess of purchase price over cost on redemption of shares	(211,167)	-	(625,383)	(225,666)
Net income	304,123	937,542	1,240,366	1,468,777
<b>Retained earnings, end of period</b>	<b>\$ 3,373,950</b>	<b>\$ 1,713,132</b>	<b>\$ 3,373,950</b>	<b>\$ 1,713,132</b>
Earnings per share				
Basic	\$ 0.01	\$ 0.04	\$ 0.04	\$ 0.08
Fully diluted	\$ 0.01	\$ 0.04	\$ 0.03	\$ 0.07

# Aeroquest International Limited

Consolidated Statements of Cash Flow  
Unaudited – Prepared by Management



For the period	Three months ended Jun. 30, 08	Three months ended Jul. 31, 07	Nine months ended Jun. 30, 08	Nine months ended Jul. 31, 07
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income for the period	\$ 304,123	\$ 937,542	\$ 1,240,366	\$ 1,468,777
Operating items not requiring cash				
Amortization of intangible assets	1,155,666	358,088	3,226,554	358,088
Depreciation of capital assets	907,751	323,734	2,074,221	870,813
Translation of self sustaining foreign operations	72,063	-	262,764	-
Future income taxes	(354,987)	217	(1,070,287)	38,650
Interest accretion on promissory notes	-	-	221,213	-
Stock based compensation	173,209	6,875	729,171	98,351
Write down of long term investment	-	-	-	110,000
Loss (Gain) on disposal of capital assets	(86,275)	-	(135,751)	7,377
<b>Operating cash flow before changes in non-cash working capital</b>	<b>2,171,550</b>	<b>1,626,456</b>	<b>6,548,251</b>	<b>2,952,056</b>
Changes in non cash working capital	605,668	1,015,618	(818,665)	2,331,153
<b>Total cash flow from operating activities</b>	<b>2,777,218</b>	<b>2,642,074</b>	<b>5,729,586</b>	<b>5,283,209</b>
<b>Investing activities</b>				
Capital asset purchases	(1,883,266)	(980,238)	(5,057,268)	(2,188,923)
Proceeds from sale of equipment	187,710	-	421,050	-
Loan receivable	-	-	-	44,250
Cash cost of acquisition	(34,125)	(8,037,657)	(2,150,741)	(8,037,657)
<b>Total cash flow from investing activities</b>	<b>(1,729,681)</b>	<b>(9,017,895)</b>	<b>(6,786,959)</b>	<b>(10,182,330)</b>
<b>Financing activities</b>				
Promissory note payments	-	-	(5,337,600)	-
Capital lease payments	(44,840)	(23,823)	(273,899)	(23,823)
Aeroquest shares redeemed	(611,282)	-	(1,426,650)	(327,477)
Proceeds: issuance of common shares	334,615	7,667,750	19,648,147	7,806,500
<b>Total cash flow from financing activities</b>	<b>(321,507)</b>	<b>7,643,927</b>	<b>12,609,998</b>	<b>7,455,200</b>
Net change in cash and cash equivalents for the period	\$ 726,030	\$ 1,268,106	\$ 11,552,625	\$ 2,556,079
<b>Cash and cash equivalents, beginning of period</b>	<b>16,225,372</b>	<b>4,706,035</b>	<b>5,398,777</b>	<b>3,418,062</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 16,951,402</b>	<b>\$ 5,974,141</b>	<b>\$ 16,951,402</b>	<b>\$ 5,974,141</b>

# Aeroquest International Limited

Consolidated Statements of Shareholders' Equity  
 Unaudited – Prepared by Management  
 For the nine months ending June 30, 2008



	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comp. Income	Total Shareholders' Equity
Balance Sep. 30, '07	\$ 27,403,594	\$ 1,320,461	\$ 2,758,967	\$72,794	\$ 31,555,816
Aeroquest shares purchased for cancellation	(770,522)	(30,745)	(625,383)		(1,426,650)
Issuance of common shares for cash, net of expenses	18,524,419				18,524,419
Issuance of common shares on acquisition	1,962,708				1,962,708
Share issuances pursuant to restricted stock unit vesting	22,500	(22,500)			-
Share issuances pursuant to stock options exercised	169,040	(43,585)			125,455
Warrants exercised	998,271				998,271
Net income for the period			1,240,366		1,240,366
Stock based compensation expense		729,171			729,171
Unrealized gain on translation of self sustaining foreign operations				390,229	390,229
Revaluation of long term investments to fair market value				(28,000)	(28,000)
<b>Balance Jun. 30 08</b>	<b>\$ 48,310,010</b>	<b>\$ 1,952,802</b>	<b>\$ 3,373,950</b>	<b>\$ 435,023</b>	<b>\$ 54,071,785</b>